

3-265A001

DONELAN, CLEARY, WOOD & MASER, P. C.

ATTORNEYS AND COUNSELORS AT LAW

SUITE 850

1275 K STREET, N. W.

WASHINGTON, D. C. 20005-4078

TELEPHONE: (202) 371-9500

TELECOPIER: (202) 371-0900

18403

September 22, 1993 SEP 22 1993 10:41 AM

INTERSTATE COMMERCE COMMISSION

New Recordation No.

LICENSING BRANCH

SEP 22 9 08 AM '93

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SECRETARY

\$16.00 filing fee

Dear Mr. Strickland:

On behalf of Grand Trunk Western Railroad Incorporated, I submit for filing and recording under 49 U.S.C. § 11303(a) and the regulations promulgated thereunder, executed counterparts of a primary document, not previously recorded, entitled Lease of Items of Railroad Equipment ("Lease") dated as of September 1, 1993.

The parties to the enclosed Lease are:

NationsBanc Leasing Corporation
NationsBank Corporate Center
12th Floor
100 North Tryon Street
Charlotte, NC 28255

-

OWNER/LESSOR

and

Grand Trunk Western Railroad Incorporated
1333 Brewery Park Boulevard
Detroit, MI 48207

-

LESSEE

The said Lease, among other things, acts to lease equipment listed in Schedule A of the Lease to the Lessee by the Lessor.

The equipment covered by the instant Lease is as identified in Schedule A thereto, namely locomotives and auto racks.

A short summary of the Lease to appear in the ICC Index is as follows:

"Covers six locomotives and 170 auto racks as listed in Schedule A."

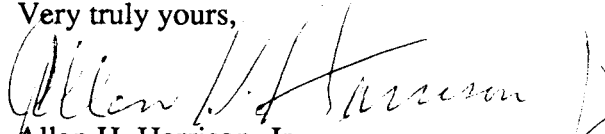
Enclosed is a check in the amount of sixteen dollars (\$16.00) in payment of the filing fee.

Handwritten signature: C. A. [illegible]

DONELAN, CLEARY, WOOD & MASER, P. C.

Once the filing has been made, please return to bearer the stamped counterpart(s) of the document not required for filing purposes, together with the fee receipt, the letter from the ICC acknowledging the filing and the two extra copies of this letter of transmittal.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Allen H. Harrison, Jr.", written in dark ink.

Allen H. Harrison, Jr.

*Attorney for Grand Trunk Western Railroad
Incorporated for this purpose of this filing.*

Honorable Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423
Enclosures
BY HAND
8312-020

Interstate Commerce Commission
Washington, D.C. 20423

9/22/93

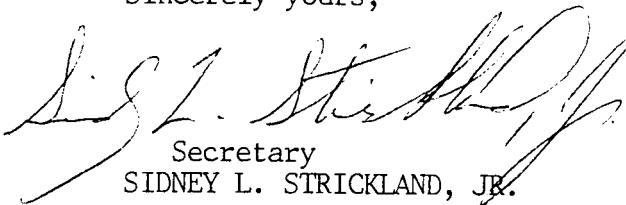
OFFICE OF THE SECRETARY

Allen H Harrison, Jr
Donelan, Cleary, Wood & Maser
1275 K St N.W. Suite 850
Washington, D.C. 20005-4078

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,
on 9/22/93 at 9:15am, and assigned
recordation number(s). 18403

Sincerely yours,


Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

• 18403

RECEIVED NO. _____ FILED NO.

SEP 22 1993 8:15 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF ITEMS OF RAILROAD EQUIPMENT

Dated as of September 1, 1993

Between

GRAND TRUNK WESTERN RAILROAD INCORPORATED,
as Lessee,

and

NATIONSBANC LEASING CORPORATION,
as Owner,

The original counterpart of this Lease is held by the Lessor.

LEASE OF ITEMS OF RAILROAD EQUIPMENT

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LEASE OF ITEMS OF RAILROAD EQUIPMENT
dated as of September 1, 1993, between GRAND
TRUNK WESTERN RAILROAD INCORPORATED, a
Delaware corporation (the "Lessee") and
NATIONS BANC LEASING CORPORATION, a North
Carolina corporation (the "Owner").

Capitalized terms used herein, if not otherwise defined herein, shall have the respective meanings as set forth in Schedule D hereto.

In consideration of the agreements hereinafter set forth, the Owner hereby leases such Units as are accepted under this Lease to the Lessee and the Lessee hereby leases such Units from the Owner, upon the following terms and conditions.

SECTION 1. Delivery and Acceptance of Units. The Owner hereby appoints the Lessee its agent for inspection and acceptance of the Units. Upon delivery of each Unit to be settled for on such date, the Lessee will cause an employee or agent of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Owner and itself hereunder whereupon such Unit shall be deemed to have been delivered to and irrevocably accepted by the Lessee, and such acceptance shall constitute an acknowledgement by the Lessee that such Unit meets the specifications for such Unit and shall be subject thereafter to all the terms and conditions of this Lease. The Lessee will promptly execute and deliver to the Owner a Certificate of Acceptance for each such Unit. Delivery and acceptance of the Units shall be subject to the limitations that

(i) the MACRS Portion of the aggregate Purchase Price of all Units purchased by the Owner and placed in service under the Lease on Closing Dates after September 30, 1993 shall not exceed 40% of the MACRS Portion of the aggregate Purchase Price of all Units purchased by the Owner under this Lease;

(ii) the provisions of Sections 5 and 6 of the Participation Agreement shall have been satisfied to the reasonable satisfaction of the Owner;

(iii) no Unit shall be accepted by the Lessee (in its capacity as agent for the Owner) prior to the Closing Date for such Unit; and

(iv) no Closing Date shall occur after December 31, 1993.

SECTION 2. Rent. The Lessee agrees to pay to the Owner, as rent for the Units subject to this Lease, 30 consecutive

semiannual payments in arrears on January 2 and July 2 of each year commencing July 2, 1994 (each such date referred to herein as a "Basic Rent Date").

In the case of the Locomotives, the first fourteen semiannual rental payments shall each be in an amount equal to 4.6045022% of the Purchase Price of each Locomotive then subject to this Lease, the next two semiannual rental payments shall each be in an amount equal to 5.1161116% of the Purchase Price of each Locomotive then subject to this Lease and the remaining fourteen semiannual rental payments shall each be in an amount equal to 5.6277211% of the Purchase Price of each such Locomotive then subject to this Lease.

In the case of the Auto Racks, the first fourteen semiannual rental payments shall each be in an amount equal to 4.8444503% of the Purchase Price of each Auto Rack then subject to this Lease, the next two semiannual rental payments shall each be in an amount equal to 5.3827209% of the Purchase Price of each Auto Rack then subject to this Lease and the remaining fourteen semiannual rental payments shall each be in an amount equal to 5.9209915% of the Purchase Price of each such Auto Rack then subject to this Lease.

The sum of the rent for the Auto Racks and for the Locomotives on each Basic Rent Date shall be referred to herein as "Basic Rent". No Basic Rent shall accrue for the period from the Closing Date until January 2, 1994.

The Lessee and the Owner agree that Basic Rent and Casualty Values are subject to adjustment as provided in Section 12 of the Participation Agreement and in the Tax Indemnity Agreement.

In addition to the foregoing Basic Rent, the Lessee agrees to pay to the Owner, or to whosoever shall be entitled thereto, any and all Supplemental Rent notwithstanding the expiration or earlier termination of the Lease or the Casualty Occurrence of any Unit, promptly as the same shall become due and owing, or, where no due date is specified, promptly after demand by the Person entitled thereto.

If any of the payment dates for Basic Rent referred to above is not a Business Day, the Basic Rent otherwise payable on such date shall be payable with the same force and effect on the next succeeding Business Day.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of Rent, reduction thereof or setoff against Rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Owner under this Lease or otherwise, nor shall this Lease, except

as otherwise expressly provided herein, terminate, or the respective obligations of the Owner or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Owner to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any Person, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Lessee's obligations to pay Rent shall be absolute and unconditional and the Rent payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each payment of Rent paid by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment for any reason whatsoever. All payments under this Lease shall be made by bank wire transfer of immediately available funds, to NationsBank of Georgia, N.A., ABA Number 061-000-052, for the account of NationsBanc Leasing Corporation, account number 031-32-214, attention of Mr. Joel Emmett [telephone (404)491-4461, facsimile (404) 491-4444] with reference to Grand Trunk Western Railroad Incorporated.

SECTION 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof, shall terminate on January 2, 2009. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 2, 5, 6, 8 and 13 hereof) shall survive the expiration or termination of the term of this Lease and the full payments of all amounts payable under this Lease.

SECTION 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number (in the case of the Locomotives) or identification number (in the case of the Auto Racks) set forth in Schedule A hereto and will stencil and restencil any Unit as required by any Applicable Law. The Lessee will not change the road number or identification number, as the

case may be, of any Unit unless and until a statement of new number or numbers to be substituted therefor shall have been filed with the Owner and filed by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited.

Except as provided in the preceding paragraph, the Lessee will not allow the name of any Person to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its Affiliates.

SECTION 5. Impositions. The Lessee agrees to pay, and indemnify and hold each Indemnified Person harmless on an After Tax Basis from, any and all Impositions howsoever imposed. The Lessee also will keep at all times each and every part of each Unit free and clear of all Impositions and any other claim or lien which might in any way affect the title of the Owner or result in a lien upon any such Unit other than a Permitted Lien; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is diligently contesting in good faith and by appropriate legal proceedings such Impositions, appropriate reserves have been established in respect thereof and the nonpayment thereof does not adversely affect the title, property or rights of the Owner hereunder. If any Impositions shall have been charged or levied against any Indemnified Person directly and paid by such Indemnified Person, the Lessee shall reimburse such Indemnified Person within five Business Days of presentation of an invoice therefor; provided, however, that the Lessee shall not be obligated to reimburse such Indemnified Person for any Impositions so paid unless such Indemnified Person shall have been legally liable with respect thereto or unless the Lessee shall have approved the payment thereof.

In the event any reports with regard to Impositions are required to be made, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Owner in the Units as shall be reasonably satisfactory to the Owner or, where not so permitted, will notify the Owner of such requirement and will prepare and deliver such reports to the Owner within a reasonable time prior to the time such reports are to be filed in such manner as shall be reasonably satisfactory to the Owner. Upon reasonable request, the Lessee will furnish copies of each such report to the Owner.

In the event that the Lessee becomes liable for the payment or reimbursement of any Impositions pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

The parties hereto acknowledge that the Units will become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that the Owner shall not include the Units in any ad valorem tax returns filed by it in such states or localities unless such inclusion is required by law.

SECTION 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease roadworthy, in the same operating order, repair and condition as when accepted by the Lessee under the Lease, ordinary wear and tear excepted, according to the Lessee's standards for similar equipment owned or leased by the Lessee, in compliance with all applicable regulatory requirements, in interchange condition and in compliance with any maintenance or repair standards or procedures as are set forth in any manuals of the applicable vendor pertaining to each of the Units and as otherwise may be required to enforce any warranty claims against the vendor of each Unit.

In the event that any Unit shall be or become worn out, lost, stolen, totally destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States government or the Canadian government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for the lesser of a period of 90 consecutive days or a period which shall exceed the then remaining term of this Lease (each such occurrence being hereinafter called a "Casualty Occurrence") prior to the return of such Unit in the manner set forth in Section 13 hereof, the Lessee shall, within 30 days after it shall have learned that such Unit has suffered a Casualty Occurrence, fully notify the Owner thereof and shall continue making all payments provided for in this Lease in respect of such Unit until the next occurring Casualty Payment Date. On such Casualty Payment Date the Lessee shall pay to the Owner the Casualty Value of such Unit as of the date of such payment in accordance with Schedule B hereto plus any other Rent in respect of such Unit then due and payable. If such Casualty Occurrence is after December 2, 2008 the Lessee shall 30 days after it shall have learned that such Unit has suffered a Casualty Occurrence pay to the Owner the Casualty Value of such Unit plus any other Rent in respect of such Unit then accrued. Upon the payment of the Casualty Value and Basic Rent, if any, the Basic Rent for such Unit shall thereafter cease to accrue. Upon the making of all such payments by the Lessee in respect of such Unit, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the

Lessee shall be entitled to recover possession of such Unit.

The Owner hereby appoints the Lessee its agent, to dispose of (at Lessee's expense and including the issuance of bills of sale for and on behalf of the Owner exclusively to transfer Owner's title to the components of a Unit that has suffered a Casualty Occurrence) any Unit suffering a Casualty Occurrence, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures. Provided that the Lessee has previously paid the Casualty Value to the Owner and provided no Default has occurred and is continuing, the Lessee shall be entitled to the net proceeds of such sale after deductions of any cost or expense incurred in disposing of the Unit to the extent they do not exceed the Casualty Value of the Unit, and shall pay any such excess to the Owner.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance in respect of the Units at the time subject hereto and the use and operation thereof, including, without limitation, property insurance and public liability insurance, in such amounts, for such risks, on such terms, with such endorsements and with such insurance companies as are at least comparable to industry standards for Class I railroads, it being understood that the industry standard for Class I railroads at present allows for self-insurance for Casualty Occurrences and that, at the date hereof, the Lessee carries a \$25 million liability policy with a \$5 million retention. The Lessee hereby assigns and transfers to the Owner, as its interests may appear, all right, title and interest in and to any insurance proceeds paid under any policy of insurance to the extent such proceeds relate to the Unit or the use and operation thereof as aforesaid. The Lessee shall deliver to the Owner a certificate from the Lessee's insurer to the extent policies are in force and effect and otherwise from a Responsible Officer of the Lessee or Guarantor confirming the insurance coverage required to be maintained pursuant to this Section 6 annually (or not less than 15 days prior to the expiration dates of the expiring policies, if earlier).

In the event of the failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Owner, after notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Owner for all expenditures made by the Owner for

such insurance, together with interest thereupon computed at the rate set forth in Section 15 in respect of overdue Rent from the date of the Owner's payment until reimbursed by the Lessee.

Any policies of insurance carried in accordance with this Section 6 shall name the Owner as an additional insured and loss payee as its interests may appear.

If the Owner shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Owner shall, if no Default exists and subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments (up to the amount of the Casualty Value paid) to the Lessee. All insurance proceeds received by the Owner in respect of any Unit not suffering a Casualty Occurrence shall, if no Default exists, be paid to the Lessee upon proof satisfactory to the Owner that any damage to the Unit in respect of which such proceeds were paid has been fully repaired.

SECTION 7. Annual Reports; Inspection. On or before March 31 in each year, commencing with the calendar year 1994, the Lessee will cause to be furnished to the Owner an accurate statement, as of the preceding December 31, showing by Group the number of Units (and the road numbers or identification numbers for such Units) that (a) are then leased hereunder, (b) have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) are then undergoing repairs (other than running repairs) or are then withdrawn from use pending such repairs. Such statements shall also set forth such other information regarding the condition and state of repair of the Units as the Owner may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof have been preserved or replaced.

The Owner shall have the right (but not the obligation) at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Owner may request during the term of this Lease.

SECTION 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSEE ACKNOWLEDGES AND AGREES THAT (I) EACH UNIT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO THE LESSEE, (II) THE LESSEE IS SATISFIED THAT EACH UNIT IS SUITABLE FOR ITS PURPOSES, (III) THE OWNER IS NOT A MANUFACTURER NOR A DEALER IN PROPERTY OF SUCH KIND, (IV) THE OWNER LEASES SUCH UNIT "AS-IS", "WHERE-IS", "WITH ALL FAULTS", AND OWNER DISCLAIMS ANY OTHER WARRANTY OR

REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN, OPERATION OR MERCHANTABILITY THEREOF, THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREOF OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT OR THE ABSENCE OF ANY LATENT OR OTHER DEFECT, WHETHER OR NOT DISCOVERABLE, OR COMPLIANCE OF ANY UNIT WITH ANY APPLICABLE LAW, AND (V) THE OWNER SHALL NOT BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LIABILITY IN TORT, STRICT OR OTHERWISE), it being agreed that all such risks, as between the Owner and the Lessee, are to be borne by the Lessee. The Owner shall have no responsibility or liability to the Lessee or any other Person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Unit or any risks relating thereto; (iii) any patent or latent defects in any Unit (whether or not discoverable by the Lessee or any Indemnified Person); (iv) any claim based on strict liability, in tort or otherwise; (v) any claim based on patent, trademark or copyright infringement; (vi) any claim based on liability arising under applicable environmental or noise or pollution control law or regulation; (vii) any liability or loss related to the failure by the Lessee to comply with its obligations under this Lease or any other Document; (viii) any interruption of service, loss of business or anticipated profits or consequential damages; or (ix) the subleasing, delivery, operation, servicing, maintenance, repair, improvement or replacement of any Unit. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Owner that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Owner or any Indemnified Person based on any of the foregoing matters.

The Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all Applicable Laws, and in the event that, prior to the expiration of this Lease or any renewal thereof and the return of all Units as provided in Section 10 or 13 hereof, such laws or rules require any alteration, replacement, addition or modification of or to any portion of any Unit, the Lessee will comply therewith at its own expense; provided, however, that the Lessee may, at its own expense, in good faith diligently contest the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Owner, adversely affect the property or rights of the Owner under this Lease. So long as no Default shall have occurred and be continuing, the Lessee, at its own cost and expense, may furnish additions, modifications and

improvements to any Unit during the term of this Lease provided that such additions, modifications and improvements (a) are readily removable without causing material damage to such Unit and (b) do not diminish its utility, value or economic life; provided, however, that the Lessee will repair in a good and workmanlike manner any Unit which has suffered damage from any such removal. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Owner, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall (unless any such addition, modification or improvement is a replacement of or substitution for any such original part or unless such addition, modification or improvement is not removed by the Lessee at the time of delivery of possession by the Lessee pursuant to Section 10 or 13 hereof) be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless on an After Tax Basis each Indemnified Person from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the Documents or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, or any amendment, supplement, modification or waiver thereof or any transactions contemplated thereby, (ii) the ownership of any Unit, (iii) the ordering, acquisition, use, subleasing, operation, maintenance, condition, rebuilding, purchase, delivery, rejection, storage or return of any Unit, (iv) any Default or any damage caused by a Default by the Lessee hereunder, (v) any accident in connection with the operation, use, condition, rebuilding, possession, storage or return of any Unit resulting in damage to property or injury or death to any Person, or (vi) any event or circumstance described in the second sentence of this Section 8, including without limitation any claim based upon doctrines of product liability or strict or absolute liability in tort or by statute imposed; provided, however, with respect to any Person (including any prospective purchaser or lessee) acting at the Owner's request, that the Lessee shall not be liable, except in the case of negligence of the Lessee or any of its employees or agents, for any injury to or the death of any such Person. Each Indemnified Person shall give the Lessee, promptly upon obtaining knowledge thereof, written notice of any claim or liability to be indemnified against hereunder in respect of such Indemnified Person; provided, however, that the failure of such Indemnified Person to so notify the Lessee shall not affect the validity of the indemnified claim unless the Lessee's ability to contest the claim is materially and adversely affected. The indemnities arising under this paragraph shall continue in full force and

effect notwithstanding the delivery of the Units or the full payment and performance of all obligations under this Lease or the expiration or termination of the term of this Lease. The foregoing indemnities will not constitute a guarantee of the residual value of any of the Units.

The Lessee agrees to prepare and deliver to the Owner within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Owner) any and all reports of which the Lessee is aware (other than income tax returns) to be filed by the Owner with any Canadian, U.S. Federal, provincial, state or other regulatory authority by reason of the ownership by the Owner of the Units or the leasing thereof to the Lessee.

SECTION 9. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

A. default shall be made in the payment of Basic Rent by the Lessee and such default shall continue for five days;

B. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee or the Guarantor contained herein or in the Participation Agreement or in the Tax Indemnity Agreement (including a failure to pay Supplemental Rent) and such default shall continue for 30 days after written notice from the Owner to the Lessee and the Guarantor specifying the default and demanding that the same be remedied;

C. a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee; provided, however, if such petition was not filed by the Lessee it shall not become an event of default until 60 days after such petition has been filed;

D. any other proceeding shall be commenced by or against the Lessee or the Guarantor for any relief which includes, or might result in, any modification of the obligations of the Lessee or the Guarantor hereunder or under the Participation Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations); provided, however, if such proceedings were not commenced by the Lessee or the Guarantor it shall not become an event of default until 60 days after such proceedings shall have been commenced; or

E. any of the Lessee's or the Guarantor's representations or warranties made herein or in the Participation Agreement shall be breached or found to be false or misleading in any material respect;

then, in any such case, the Owner, at its option, may:

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Owner may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units in accordance with applicable laws and thenceforth hold, possess, sell (at public or private sale), operate, keep idle, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom;

but the Owner shall, nevertheless, have a right to recover from the Lessee

(i) any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing Basic Rent for any number of days less than a semiannual period by multiplying the Basic Rent for such semiannual period by a fraction of which the numerator is such number of days and the denominator is 180); and

(ii) as damages for the loss of the bargain and not as a penalty an amount equal to

(A) Basic Rent from the date of termination to the next Basic Rent Date (computed by multiplying the Basic Rent for such period by a fraction of which the numerator is such number of days and the denominator is 180); plus

(B) the excess, if any, of the Casualty Value as of the next Basic Rent Date over the amount the Owner reasonably estimates to be the sales value of such Unit (as is, where is) at such time;

provided, however, that in the event the Owner shall have sold any Unit in a commercially reasonable manner as recognized in any jurisdiction, the Owner, in lieu of collecting any amounts payable to the Owner by the Lessee pursuant to the preceding clause (ii) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Owner and the Lessee shall pay to the Owner on the date of such sale, as liquidated damages for the loss of the bargain and not as a penalty, an amount equal to the excess, if any, of

(x) Basic Rent from the date of termination to the next Basic Rent Date (computed by multiplying the Basic Rent for such period by a fraction of which the numerator is such number of days and the denominator is 180) plus the Casualty Value for such Unit as of the next Basic Rent Date over

(y) the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Owner's remedies with respect thereto, including all costs and expenses incurred in connection with the return or disposition of any Unit. At any sale of the Units the Owner may bid for and purchase such property.

Should the Lessee fail to make any payment or to do any act as provided by this Lease after an Event of Default has occurred and is continuing, then the Owner shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Units or the Owner's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax, lien or other sum which in the reasonable judgment of the Owner appears to affect the Units, and in exercising any such rights, the Owner may insure any liability and expend whatever amounts in its reasonable discretion it may deem necessary therefor. All sums so incurred or expended by the Owner shall be due and payable by the Lessee within ten days of notice thereof.

To the extent permitted by Applicable Laws, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require the Owner, otherwise than in accordance with the provisions of this Section 9, to sell, lease

or otherwise use any Unit in mitigation of the Owner's damages or otherwise to limit or modify any of the Owner's rights or remedies under this Section 9.

The remedies in this Lease provided in favor of the Owner shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the Basic Rent due hereunder, and agrees to pay Basic Rent regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Owner to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 10. Return of Units Upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Owner. Each Unit so delivered shall be in the operating order, repair and condition required pursuant to Section 6 hereof, shall meet the standards then in effect and/or the applicable rules of any governmental agency or other organization with jurisdiction, shall have removed therefrom all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof and shall be in compliance with all Applicable Laws. For the purpose of delivering possession of any Unit to the Owner as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to all railroads to which any Unit has been interchanged to return such Unit so interchanged) place such Unit upon such storage tracks of the Lessee in the United States as selected by the Owner and reasonably satisfactory to the Lessee;

(b) permit the Owner to store such Unit on such tracks of the Lessee in the United States at the risk of the Lessee without charge for insurance, rent or storage until such Unit has been sold, leased or otherwise disposed of by the Owner; and

(c) transport the same to any place on the lines of railroad operated by it or any of its Affiliates in the

United States or to any interchange point with a connecting carrier for shipment, all as directed by the Owner.

The Auto Racks will be either on standard flatcars owned by the Lessee or on flatcars provided to the Lessee by TTX Company. In connection with the return to the Owner of the Auto Racks the Lessee grants the Owner the right, if the flatcars are owned by the Lessee, to purchase the flatcars underlying the Auto Racks at the then Fair Market Value. If the underlying flatcars are provided by TTX Company, the Lessee agrees to cooperate in the transfer of the use of the underlying flatcars to a new user of the Auto Racks.

The assembling, delivery, storage, insuring and transporting of the Units as herein provided shall be at the expense and risk of the Lessee and are of the essence of this Lease; and upon application to any court of equity having jurisdiction in the premises, the Owner shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure as herein provided and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure as herein provided and keep the Units in good order and will permit the Owner or any Person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same at the Owner's sole cost, risk and expense.

The Lessee hereby waives any and all claims against the Owner and its agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Owner and, if received by the Lessee, shall be promptly turned over to the Owner. In the event any of the Units are not assembled, delivered and stored as hereinabove provided the Lessee shall, in addition, pay to the Owner for each day thereafter an amount equal to .0291% of the Purchase Price of such Unit. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto shall be deemed to relieve the Lessee of its obligation to assemble, deliver, store, insure as herein provided and transport the Units or affect the Owner's rights and remedies with respect to such obligation.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Owner as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of such Units in the name and on behalf of the Lessee from whosoever shall be in possession of such Units at the time. This power of attorney is coupled with an interest and is irrevocable.

SECTION 11. Assignment; Possession and Use. The Lessee, at its own expense, will promptly discharge or cause to be duly discharged any and all sums claimed by any Person which if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to any Unit or the interest of the Owner or the Lessee therein (other than a Permitted Lien), and will promptly discharge any such lien, charge, security interest or other encumbrance which arises (other than a Permitted Lien).

The Owner shall have the right to assign its interest in the Units and the Documents as it shall determine in its reasonable discretion.

So long as no Default exists hereunder, the Lessee shall be entitled to the possession and quiet enjoyment of the Units and to the use of the Units by it in any lawful manner whatsoever upon lines of railroad owned or operated by it or any Affiliate or upon trackage or other operating rights or over which railroad equipment of the Lessee or any such Affiliate is regularly operated pursuant to contract and shall be entitled to permit the use of the Units by Affiliates or connecting carriers or other carriers in the usual interchange of traffic pursuant to interchange or run-through agreements and to sublease the Units to any of its Affiliates or to any railroad company incorporated in the United States of America or any state thereof or the District of Columbia, but only upon and subject to all the terms and conditions of this Lease and for a term not exceeding the remaining term of this Lease. In the event of such sublease the guarantee of the Guarantor in Section 11 of the Participation Agreement shall remain in full force and effect. The Lessee may receive and retain compensation for the use of any of the Units from other railroads so using such Units. Any sublease shall be by its express terms subject and subordinate to the rights and remedies of the Owner under this Lease in respect of the Units covered by such sublease.

Should the Lessee prior to January 1, 2001 find it necessary in the conduct of its operations to place any of the Units in Canadian service exceeding 50% of any calendar year it may find it feasible and desirable and shall have the right to remove such Unit from this transaction and substitute another unit of equal or greater value and similar in design, condition and age, as certified by the Lessee and supported by independent appraisal conducted in a manner satisfactory to the Owner. The Lessee will be responsible for any reasonable expenses incurred by the Owner arising out of any such substitution.

So long as no Default exists hereunder, this Lease may not be terminated, except as expressly provided for herein, and the quiet enjoyment of the Lessee's rights of possession and use provided under this Section shall not be interfered with by the

Owner or any Person claiming through the Owner.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety; provided that (i) such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition (collectively "transaction"), be in Default under any provision of this Lease; (ii) such assignee or transferee shall expressly assume the obligations of the Lessee under this Lease, the Participation Agreement and the Tax Indemnity Agreement; (iii) the obligations of such assignee or transferee shall be guaranteed by the Guarantor; and (iv) the Lessee or such assignee or transferee will be responsible for any reasonable expenses incurred by the Owner arising out of such assignment or transfer.

SECTION 12. Renewal Option; Purchase Option; Termination Option. Provided that this Lease has not been earlier terminated and the Lessee is not in Default hereunder, the Lessee shall have the option by giving written notice to the Owner no less than 180 days prior to the termination date to terminate this Lease as to the Locomotives on January 2, 2006 by purchasing all but not less than all of the Locomotives then subject to this Lease by paying an amount equal to 46.05% of the Purchase Price of such Locomotives.

Provided that this Lease has not been earlier terminated and the Lessee is not in Default hereunder, the Lessee shall have the option by giving written notice to the Owner no less than 180 days prior to the termination date to terminate this Lease as to the Auto Racks on January 2, 2006 by purchasing all but not less than all of the Auto Racks then subject to this Lease by paying an amount equal to 35.25% of the Purchase Price of such Auto Racks.

Provided that this Lease has not been earlier terminated and the Lessee is not in Default hereunder, at the end of the original term of this Lease or at the end of any renewal period as provided for in the next paragraph of this Section 12, the Lessee may elect by giving written notice to the Owner not less than 180 days prior to the expiration of such term to have the Fair Market Value of either Group determined for the purpose of purchasing all but not less than all the Units in such Group then subject to this Lease at the then Fair Market Value of such Group. The determination of Fair Market Value shall be conclusively binding upon both Owner and Lessee and the Lessee

shall within ten days of such determination then either exercise or not exercise its option. The fees and expenses of any such Appraiser shall be paid equally by the Owner and the Lessee, unless the Lessee shall elect not to purchase such Group in which case the Lessee shall pay all the fees and expenses of the Appraiser.

Provided that this Lease has not been earlier terminated and the Lessee is not in Default hereunder, the Lessee may elect, by written notice delivered to the Owner not less than 180 days prior to the end of the original term of this Lease (or, in the event the Lessee extends the term of this Lease for an additional one-year term not less than 180 days prior to the end of such extended term) to have the Fair Market Rental of either Group determined for the purpose of extending the term of this Lease in respect of all, but not less than all, the Units then remaining in such Group for an additional one-year period commencing on the scheduled expiration of the original term or the first extended term of this Lease, as the case may be, at a semiannual rental payable in arrears in semiannual payments, each in an amount equal to the Fair Market Rental. Such rental payments will be made in arrears on January 2 and July 2 in each year of the applicable extended term. The determination of Fair Market Rental so made shall be conclusively binding upon both Owner and Lessee and the Lessee shall within ten days of such determination then either exercise or not exercise the option. The expenses and fees of any such Appraiser shall be paid equally by the Owner and the Lessee unless the Lessee shall elect not to lease such Group in which case the Lessee shall pay all the fees and expenses of the Appraiser.

SECTION 13. Return of Units Upon Expiration of Term. After the expiration of the original or any extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Owner, assemble the Units and deliver possession of the Units to the Owner upon such storage tracks of the Lessee in the United States as the Owner may select which are reasonably acceptable to the Lessee and permit the Owner to store each such Unit on such property for a period not exceeding 30 days, and transport such Units at any time within such 30-day period to one or more interchange points with connecting carriers for shipment, all as directed by the Owner, the movement, storage and insurance as herein provided of such Units to be at the expense and risk of the Lessee. During any such storage period, the Lessee will permit the Owner or any Person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same at the Owner's sole cost, risk and expense. Each Unit returned to the Owner pursuant to this Section 13 shall (i) be in the operating order, repair and condition required pursuant to Section 6 hereof, (ii) meet the standards then in effect and/or the applicable rules of any governmental agency or other organization with jurisdiction,

(iii) have removed therefrom by the Lessee without cost or expense to the Owner all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof and (iv) be in compliance with all Applicable Laws. The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Owner shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

The Auto Racks will be either on standard flatcars owned by the Lessee or on flatcars provided to the Lessee by TTX Company. In connection with the return to the Owner of the Auto Racks the Lessee grants the Owner the right, if the flatcars are owned by the Lessee, to purchase the flatcars underlying the Auto Racks at the then Fair Market Value. If the underlying flatcars are provided by TTX Company, the Lessee agrees to cooperate in the transfer of the use of the underlying flatcars to a new user of the Auto Racks.

In the event any Unit is not assembled, delivered and stored at the end of the term of this Lease, or any extended term, then the Lessee shall pay the Owner for each day thereafter an amount equal to .0291% of the Purchase Price of such Unit. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto, shall be deemed to relieve the Lessee of its obligations to assemble, deliver, store, insure as herein provided and transport the Units or affect the Owner's rights and remedies with respect to such obligations.

SECTION 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303 and deposited with the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada and for the Auto Racks only appropriate financing statements to be filed and recorded in accordance with the applicable provisions of the Uniform Commercial Code in effect in the State of Michigan as if the Owner's interest in the Units represented a security interest. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all other instruments required by law for the purpose of proper protection of the Owner's interest in the Units, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Owner evidence of all such filing, registering, recording or depositing.

SECTION 15. Interest on Overdue Rent. Anything to the contrary herein contained notwithstanding, any nonpayment of Rent

shall result in the obligation on the part of the Lessee promptly to pay an amount equal to the Prime Rate plus two per cent per annum on such Rent for the period of time during which it is overdue or such lesser amount as may be legally enforceable.

SECTION 16. Notices. Any notice required or permitted to be given by any party hereto to any other party or parties shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a Business Day, otherwise on the next Business Day), addressed as follows:

(a) if to the Owner, at NationsBanc Leasing Corporation, NationsBank Corporate Center, 100 North Tryon Street, NC1007-12-01, Charlotte, North Carolina 28255-0001, attention of Manager of Corporate Lease Administration;

(b) if to the Lessee, at 1333 Brewery Park Boulevard, Detroit, Michigan 48207, attention of Treasurer;

(c) if to the Guarantor, at 935 de La Gauchetiere Street West, Montreal, Quebec, Canada H3B 2M9; attention of Treasurer;

or addressed to either such party at such other address as such party shall hereafter furnish to the other party in writing.

SECTION 17. Effect and Modification of Lease. Except for the Participation Agreement and the Tax Indemnity Agreement, this Lease exclusively and completely states the rights of the Owner and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing, signed by duly authorized officers of the Owner, the Lessee and the Guarantor. The headings of the sections of this Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any other provision hereof.

SECTION 18. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Owner and marked "Original Counterpart" shall be deemed to be the original counterpart. It is not necessary that each party hereto sign the same counterpart as long as each party shall sign a counterpart and such counterpart is delivered to Owner whereupon this Lease shall become effective. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

SECTION 19. Governing Law; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of North Carolina.

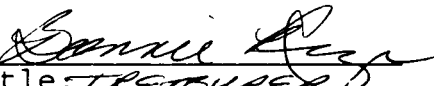
Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due authority, has caused this instrument to be duly executed in its name by its officers, thereunto duly authorized, all as of the date first above written.

GRAND TRUNK WESTERN RAILROAD INCORPORATED,

by


Title: ~~TREASURER~~
Name: BONNIE REYES

NATIONSBANC LEASING CORPORATION,

by

Title:
Name:

STATE OF MICHIGAN)
) ss.:
COUNTY OF WAYNE)

On this 31 day of SEPTEMBER, 1993, before me personally appeared Bonnie M. Reyes, to me personally known, who, being by me duly sworn, says that she is Treasurer of GRAND TRUNK WESTERN RAILROAD INCORPORATED, a Delaware corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and she acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Valerie Hauston
Notary Public

My Commission expires - 4/2/97

STATE OF NORTH CAROLINA)
) ss.:
COUNTY OF MECKLENBURG)

On this day of , 1993, before me personally appeared , to me personally known, who, being by me duly sworn, says that he/she is of NATIONSBANC LEASING CORPORATION, a North Carolina corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

My Commission expires

STATE OF MICHIGAN)
) ss.:
COUNTY OF WAYNE)

On this day of , 1993, before me personally appeared Bonnie M. Reyes, to me personally known, who, being by me duly sworn, says that she is Treasurer of GRAND TRUNK WESTERN RAILROAD INCORPORATED, a Delaware corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and she acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

My Commission expires

STATE OF NORTH CAROLINA)
) ss.:
COUNTY OF MECKLENBURG)

On this 1st day of September, 1993, before me personally appeared M. RANDALL ROSS, to me personally known, who, being by me duly sworn, says that he/she is Vice President of NATIONS BANC LEASING CORPORATION, a North Carolina corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Deborah A. Reep

Notary Public

My Commission expires

Deborah A. Reep, Notary Public
Mecklenburg, North Carolina
My Commission Expires 8/17/97

LEASE OF ITEMS OF RAILROAD EQUIPMENT

Schedule A - List of Units

Quantity	Equipment Designation	Description	Railroad Road/ Identification		Unit Purchase Price (\$000's)	
			Numbers **	ADR	MACRS	TOTAL
4 (E1) *	SD 40-2	Rebuilt Diesel Electric Locomotives	GTW 5931 GTW 5932 GTW 5934 GTW 5935	\$0	\$900	\$900
2 (E2) *	GP 9	Rebuilt Diesel Electric Locomotives	GTW 4634 GTW 4635	\$75	\$375	\$450
170 (E3) *		New Fully Enclosed Bi-level Auto Racks manufactured by Thrall Car Manufacturing Company	GTW 93000 - 93169	\$0	\$ 37.295	\$ 37.295

* - E designations used to tie Units to Closings in Schedule C.

Place of Delivery: E1-E2 Battle Creek, Michigan.
E3 Chicago, Illinois.

** - Notwithstanding anything herein to the contrary, this Schedule A and the Lease to which it is attached will cover only those Units that are rebuilt or acquired by the Builder, delivered and settled for. After December 31, 1993, if necessary, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those Units actually delivered to the Lessee pursuant to this Lease and to designate the particular Railroad Road Numbers or identification numbers thereof.

SECTION 19. Governing Law; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of North Carolina.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due authority, has caused this instrument to be duly executed in its name by its officers, thereunto duly authorized, all as of the date first above written.

GRAND TRUNK WESTERN RAILROAD INCORPORATED,

by

Title:

Name:

NATIONSBANC LEASING CORPORATION,

by

M. Randall Ross

Title: Vice President
Name: M. Randall Ross

LEASE OF ITEMS OF RAILROAD EQUIPMENT

Exhibit 1 to Schedule A LOCOMOTIVE REBUILDING SPECIFICATIONS

CARBODY - All fixtures, controls and components removed and reconditioned or renewed. Exterior is sand blasted, straightened, patched, repaired, or renewed where necessary, primed and painted. GP 9 s are rebuilt by removing the cab and short hood, removing the floor of the short hood, sand blasting frame, installing all new conduits, all new air and water pipes, applying new fuel tank, air reservoirs, traction motor ducts, ballast in short hood frame, electrical cabinet with all new components, a.c. cabinet at equipment rack, new cab with control stand with a short nose and clean cab configuration.

ENGINE - Disassembled, cleaned, inspected, all components qualified, renewed or rebuilt according to latest manufacturer recommended procedures. Remanufactured injectors and governor applied. Engine is load tested in the locomotive for six hours.

COMPRESSOR - Rebuilt compressor applied.

MAIN TRACTION ALTERNATOR - AR10 disassembled, cleaned, inspected and reassembled with new bearing.

TRUCKS - Disassembled, cleaned, inspected, welded, ground, rebushed, assembled with new or qualified springs and brake rigging. Rebuilt traction motors and new wheel sets applied.

ELECTRICAL SYSTEMS - All traction equipment, motors, main generator or traction alternator, companion alternator, auxiliary generator, and traction blower, are cleaned, disassembled, inspected, reworked according to individual specification, reassembled using new bearings and installed. Wiring is inspected, tested and replaced as necessary. Relays, contactors and switch gear are rebuilt or qualified according to the individual specification. GP 9 s are completely rewired and a new electrical control system used in a new electrical cabinet. GP 9's are thereby modernized to a "state of the art" configuration.

AIR SYSTEM - A schedule of 26L air brake is standard for all rebuilt Units. When Units were previously so equipped, all fittings, pipes and fixtures are inspected and tested. On GP9's a new equipment rack with fixtures, all new pipes and newly rebuilt 26L valves are installed and tested.

MISCELLANEOUS REPAIRS - Rewiring as necessary, wreck repair as necessary.

ADDITIONS - Electronic speed indicator/recorder, radio and telemetry devices applied. Electric cab heaters, 18kw auxiliary generators installed.

LEASE OF ITEMS OF RAILROAD EQUIPMENT

Exhibit 2 to Schedule A NEW BI-LEVEL AUTO RACK SPECIFICATIONS

Specifications for Universal Wide-body Bi-level, fully enclosed auto rack, mounted on standard flush deck flat car.

DIMENSIONS:

Inside length doors closed (on center line of car)	89' 4" minimum
Inside width (at end posts)	8' 7" minimum
Inside width (at side post, above gussets)	9' 1 3/8" nominal
Inside width (at side panels)	9' 5 7/8" nominal
Height - rail to top of roof	19' 0" maximum @ 5' 1" width
Height - rail to first break point in roof	18' 2" maximum @ 7' 10" width
Height - rail to lower eave	16' 4" maximum
Height - rail to running surface at end sill	
"A" Deck	3' 5 1/2" nominal, 3' 7 1/2" maximum
"B" Deck	10' 9" nominal, 11' 1" maximum
Deck clearance @ 30" from center line	
"A" Deck	87" clear - minimum 87 1/2" - nominal
"B" Deck	94 13/16" clear - minimum 95 5/16" nominal
Clear door opening	8' 7" minimum

Rack width shall be restricted as follows:

Maximum width at hand brake 10' 8"
(not less than 3 ft. from end
of car, decreasing uniformly to
10' 1" at end sill)

Maximum width at end of car 10' 1"

Maximum width at center of car 9' 11"

DECKS:

Minimum design requirements for deck shall be for 40,000 pounds per deck, determined for wheel loads as follows:

- 4 vehicles per deck - 2500 lbs maximum wheel load
- 5 vehicles per deck - 2000 lbs maximum wheel load
- 6 vehicles per deck - 1667 lbs maximum wheel load

Deck to be straight throughout its length and have positive camber laterally to obtain a height of tie-down track not exceeding 3 1/4" when measured from 30" off center line.

B Deck adjustment holes are to be eliminated from collection plates.

ROOF:

Design and strength of roof to be adequate to withstand stress caused by wind, ice and snow loads, flexing, vibration and oscillation. Galvanized material utilized on floor, including eave angle, to meet requirements of ASTM specification A-525 (latest issue). Transverse seams between roof sheets to be sealed with approved caulking compound during assembly.

DOORS:

End doors to be radial or other approved type that meet or exceed provisions of AAR Specification M-941, latest revision, including reduced openings and end strength requirements. Doors to be equipped with an anti-pilferage locking device (hasp) of sufficient strength and of such design as to hold door closed under car impacts of up to 10 MPH and to prevent breakage or cutting with common hand tools. This device to accept 1/2" diameter cable, bolt or other lock/seal securement system. Cable or other securement system must not be subject to door impact loads. Zef-Tek top door guides to be applied to all doors.

SIDE SCREENING:

To be AAR Standard dimension galvanized panels, latest AAR revision. Security clips to be applied to attach each panel in a

row and to the car deck. Plastic corner caps to be applied at all locations to reduce wear and rust. In locations where corner caps are impractical, alternate protective material must be utilized to eliminate wear and rust situation.

One (1) large galvanized side panel per side is to be replaced with one (1) non-galvanized, corrugated, perforated panel for stenciling the GTW logo to be located in 3rd bay between posts #4 and #5.

TIE DOWNS:

Tie down tracks: standard 2" channel type with end stops per AAR Spec M-957, and I.E.C. Holden Grate/Lock Chock Vehicle Securement System if available at time of rack application.

Alternate: Drum type Ratchets and 50" GM Tie Down Chains to be applied.

PAINTING:

Prepainting: All hidden areas and those locations susceptible to rusting (e.g., "J" curb, side post, deck connection plates and gussets, door parts, etc.) must be prepainted prior to assembly wherever practical.

Caulking: All deck seams, curb plates, post/deck connection plates, post/roof connection plates, "X" brace connections, shear bay panels, "A" deck side screen security clips, etc., must have caulking applied to encapsulate and retard the propagation of rust.

Exterior of rack: Grand Trunk Blue (minimum 3 mils dry thickness) on all surfaces not galvanized. Thrall standard DTM freight car Red to GTW Blue finish paint for the outside exposed surfaces, plus background of sign plates. End door 15' 0" above top of rail to have white reflectorized paint applied, and stencilled "Excess Height Car" in not less than 3" letters on each door. All stenciling on blue surfaces to be white. Monogram to be per GTW requirements and applied in white stencil paint over a blue background (both sides) to the non-galvanized, corrugated, perforated side panels (1 per side). Door warranty expiration stencil "Door Manuf. Warranty expires - Month Day Year" to be applied at middle of door in a visible "A"

deck location with doors open in not less than 2" letters. Logo to be applied at the side screen location in the third bay from the left and third up from the deck. Panel to be painted blue with white G.T. or alternate logo applied. As large a logo as will fit onto the panel to be applied, one on each side of car. A 5 digit rack number will be applied to both sides of rack using not less than 2" numbers. Actual rack numbers to be supplied at time of construction. Rack numbers are also to be applied utilizing a legible steel stamp or embossing (1 inch numbers). Ownership stenciling will be provided at a later date if required.

Interior of rack: White gloss paint (non-yellowing) exterior type. Minimum of 3 mils dry thickness, complete coverage of all non galvanized surfaces required.

Non-skid coating is to be applied over deck finish paint as follows:

1. "A" Deck - deck surface from outside edge of tie-down channel to edge of deck.
2. "B" Deck - deck surface from outside edge of tie-down channel to the outer edge of deck extension or curb. A minimum of 36" at the end of all decks between tie down channels.

NOTE: These requirements may change due to the application of the I.E.C. Holden Chock System.

VEHICLE DOOR PROTECTION:

General Motors Approved Products: All racks will have ZefTek "Edgegard" door protection application (Ref: ZefTek Dwg. #8D-113, revision C) or Creative Foam door edge protection system (Ref: part #100890, revised 11/23/92).

GENERAL:

Racks to be mounted on standard deck height flat cars with wide deck and 10" travel end to car cushioning. Auto rack to meet or exceed manufacturing and safety criteria as required in the latest AAR and FRA regulations.

Cross brace tubes to be capped and sealed to eliminate

propagation of rust.

A bead of caulk (in areas not welded) will be added in the following areas:

1. Post cap in areas of overlap with each post
2. Lateral seams of corrugated deck plates (bottom side)
3. At cross bracing connections on inside (at post gussets and center connection of tubes)

Ends of brace bay tubes to be capped and seal welded.

Drawing of proposed rack to be supplied with bid for evaluation and approval by GTW Mechanical Department.

After rack is constructed, a complete set of reproducible drawing or preferably a compatible computer generated CAD file, corrected to agree with final construction, is to be furnished to the Engineering and Planning Department in Battle Creek, Michigan.

Office of Chief Mechanical Officer - Car
Battle Creek, Michigan
March 9, 1993

LEASE OF ITEMS OF RAILROAD EQUIPMENT

Schedule B - Casualty Value Schedule
Percentage of Purchase Price

<u>Date</u>	<u>Casualty Value</u>
January 2, 1994	104.83791385%
July 2, 1994	104.34670585%
January 2, 1995	103.77883571%
July 2, 1995	103.05357226%
January 2, 1996	101.98658693%
July 2, 1996	100.68096351%
January 2, 1997	99.25392106%
July 2, 1997	97.71421079%
January 2, 1998	96.07347856%
July 2, 1998	94.32894267%
January 2, 1999	93.47833436%
July 2, 1999	90.51868609%
January 2, 2000	88.44752807%
July 2, 2000	86.27170632%
January 2, 2001	84.01150346%
July 2, 2001	81.16019528%
January 2, 2002	78.24032882%
July 2, 2002	74.72944500%
January 2, 2003	71.13369323%
July 2, 2003	67.43826534%
January 2, 2004	63.65340069%
July 2, 2004	59.76417148%
January 2, 2005	55.78069300%
July 2, 2005	51.68820388%
January 2, 2006	47.49734969%
July 2, 2006	43.19312972%
January 2, 2007	38.78623013%
July 2, 2007	34.26112506%
January 2, 2008	29.62788890%
July 2, 2008	24.87086632%
January 2, 2009	20.00000000%

LEASE OF ITEMS OF RAILROAD EQUIPMENT

Schedule C - Schedule of Closings

<u>Assumed Closing Dates</u>	<u>Units Assumed To Be In Closing</u>	<u>Tax Allocation</u>		<u>Total Purchase Price</u>
		<u>ADR</u>	<u>MACRS</u>	
September 27, 1993	3 E-1, 2 E-2 105 E-3	\$150,000	\$7,365,975	\$7,515,975
December 20, 1993	1 E-1, 65 E-3	<u>\$0</u>	<u>\$3,324,175</u>	<u>\$3,324,175</u>
		\$150,000	\$10,690,150	\$10,840,150
		=====	=====	=====

LEASE OF ITEMS OF RAILROAD EQUIPMENT

Schedule D - Capitalized Terms

The following capitalized terms are defined as follows:

ADR Portion: The portion of the Purchase Price of a Unit as shown in Schedule A to the Lease.

Affiliate: A corporation or other entity controlled by, in control of or in common control with another corporation or other entity. For purposes of this definition, "control" shall mean having the voting power to elect a majority of the board of directors or other persons serving similar functions at a corporation or other entity.

After Tax Basis: After taking into account the income tax effect of any payment to be made, to be computed using the highest marginal Federal income tax rate and the highest applicable State tax rate.

Applicable Laws: All laws of the jurisdictions in which the operations of the Lessee involving the Units may extend, and all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, maintenance, operation, safety standards or use of the Units.

Appraiser: Such independent appraiser as the Owner may select with the approval of the Lessee, or, failing such approved selection, an independent appraiser selected by two independent appraisers, one of whom shall be selected by the Owner and one by the Lessee; and if no such Appraiser is selected within 15 days, either party may apply to have the appointment made by the American Arbitration Association and both parties shall be bound by such appointment. The Appraiser shall be instructed to make the determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Owner and the Lessee.

Auto Racks: The Units identified as auto racks in Exhibit A to the Lease, whose specifications are shown in Exhibit 2 to Schedule A to the Lease.

Basic Rent: All amounts of rent described as such in the first paragraph of Section 2 of the Lease, as the same may be adjusted as described therein.

Basic Rent Date: The dates specified in the first paragraph of Section 2 of the Lease on which payments of Basic Rent shall

be required to be made.

Builder: The company performing the rebuilding work in the case of the Locomotives and the seller in the case of the Auto Racks, Grand Trunk Western Railroad Incorporated.

Business Day: Calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Charlotte, North Carolina, Detroit, Michigan or Montreal, Quebec, Canada are authorized or obligated to remain closed.

Bill of Sale: A bill of sale transferring title to the Owner, warranting to the Owner that at the time of delivery of such Unit the Lessee had legal title thereto and good and lawful right to sell the same, and that title thereto was free of all claims and covenanting to defend such legal title at the Lessee's sole expense against any such claims.

Casualty Payment Date: The next Basic Rent Date occurring after a Casualty Occurrence.

Casualty Value: An amount equal to that percentage of the Purchase Price of such Unit suffering a Casualty Occurrence as is set forth in Schedule B to the Lease opposite the applicable Casualty Payment Date.

Certificate of Acceptance: A certificate to be executed by a duly authorized employee or agent of the Lessee which shall state that the Unit shown thereon has been inspected and irrevocably accepted on behalf of the Lessee and Owner on the date shown thereon.

Closing Date: Such Business Day on which all of the conditions precedent set forth in Sections 5 and 6 of the Participation Agreement shall have been satisfied and as to which the notice required by Section 6(a) of the Participation Agreement shall have been given.

Code: The Internal Revenue Code of 1986, as amended to the date hereof.

Default: An Event of Default under the Lease or an event which, with the giving of notice or the passage of time or both, would constitute an Event of Default under the Lease.

Documents: The Participation Agreement, the Lease, the Certificates of Acceptance, the Bills of Sale and the Tax Indemnity Agreement.

Event of Default: Such event as is defined in Section 9 of the Lease.

Fair Market Rental: An amount equal to the value which would be obtained in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, (i) it shall be assumed that the Units are in the condition and repair in which they are required to be maintained pursuant to the Lease and that they are free and clear of all liens, claims, security interests and encumbrances, (ii) the value of the additions, modifications and improvements as to which the Lessee retains title pursuant to Section 8 of the Lease shall not be included and (iii) the costs of removal from the location of current use shall not be a deduction from such value. If, within 30 days following receipt of the notice required by Section 12 of the Lease, the Owner and the Lessee are unable to agree upon a determination of the Fair Market Rental of the relevant Units, such Fair Market Rental shall be determined in accordance with this definition by an Appraiser.

Fair Market Value: An amount equal to the value which would be obtained in an arm's length transaction between an informed and willing purchaser (other than a purchaser currently in possession) and an informed and willing seller under no compulsion to sell and, in such determination, the same assumptions applicable to the determination of Fair Market Rental shall be applied. If, within 30 days following receipt of the notice required by Section 12 of the Lease, the Owner and the Lessee are unable to agree upon a determination of the Fair Market Value of the relevant Units, such Fair Market Value shall be determined by the Appraisal procedure set forth in the definition of Fair Market Rental.

First Delivery Date: The first date on which the Units may be accepted under the Lease by the Lessee.

Group: All of the Auto Racks then remaining under the Lease; or all of the Locomotives then remaining under the Lease.

Impositions: Any local, state, Federal or foreign taxes, assessments, documentary stamp taxes, or governmental fees or charges and any charges, fines or penalties in connection therewith, whether levied or imposed upon or asserted against such Indemnified Person, Lessee, or any Unit, upon or with respect to (a) any Unit, (b) the manufacture, construction, ordering, purchase, ownership, delivery, shipment, transfer, leasing, re-leasing, possession, use, operation, maintenance, registration, titling, licensing, documentation, return or sale to Lessee or any Affiliate of the Lessee by such Indemnified Person pursuant to the terms hereof of any Unit, (c) the payments, receipts or earnings arising from the Units, (d) this Lease, any other Document, or the Basic Rent or Supplemental Rent payable by Lessee hereunder, or (e) upon any Indemnified Person

forfeiture, loss or loss of use of the Unit; (v) the rights of the Owner under the Documents; and (vi) liens arising out of any judgment or award against the Lessee (or any sublessee permitted pursuant to Section 11 of the Lease) with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review.

Person: Includes individuals, companies, partnerships, corporations, governments and divisions thereof and all other entities.

Prime Rate: The rate of interest publicly announced by NationsBank of North Carolina, N.A. from time to time in Charlotte, North Carolina as its "prime rate". The Prime Rate is not necessarily the best or lowest rate of interest offered by NationsBank of North Carolina, N.A. All interest rate calculations made pursuant to the Documents (including, without limitation, any calculations of overdue Rent) shall be computed on the basis of 30 day months and a year of 360 days.

Purchase Price: The total cost shown for the Unit in Schedule A to the Lease.

Rent: Collectively, Basic Rent and Supplemental Rent.

Responsible Officer: Means any corporate officer of the Lessee or the Guarantor, as the case may be, who in the performance of his operational responsibilities should have knowledge of the requirements of this Lease (in the case of a corporate officer of the Lessee) or the guarantee (in the case of a corporate officer of the Guarantor).

Supplemental Rent: All amounts, liabilities and obligations (other than Basic Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement to or on behalf of the other parties thereto, including but not limited to Casualty Values.

Tax Indemnity Agreement: The Tax Indemnity Agreement dated as of September 1, 1993 between Grand Trunk Western Railroad Incorporated and NationsBanc Leasing Corporation.

Transaction Expenses: Such expenses as are defined in Section 8 of the Participation Agreement.

Unit: A Locomotive or Auto Rack as shown in Schedule A hereto which is accepted under this Lease by the Lessee pursuant to execution of a Certificate of Acceptance.

solely by reason of its ownership of any Unit;
other than

(1) any United States Federal income tax and, to the extent that any Indemnified Person received credit therefor against its United States Federal income tax liability, any foreign income tax payable by such Indemnified Person in consequence of the receipt of payments provided herein; and

(2) the aggregate of all state and city net income taxes and franchise or "doing business" taxes imposed in the United States of America (except sales or use taxes or taxes in lieu of or in the nature of sales or use taxes).

Indemnified Persons: The Owner, its Affiliates and their respective successors, assigns, agents and servants.

Lease: The Lease dated as of September 1, 1993 between Grand Trunk Western Railroad Incorporated, as Lessee, and NationsBanc Leasing Corporation, as Owner.

Lease Term: The term of the Lease as defined in Section 3 thereof.

Locomotives: The Units identified as locomotives in Exhibit A to the Lease, whose specifications are shown in Exhibit 1 to Schedule A to the Lease.

MACRS Portion: The portion of the Purchase Price of a Unit as shown in Schedule A to the Lease.

Maximum Purchase Price: \$10,875,000.

Participation Agreement or Agreement: The Participation and Guarantee Agreement dated as of September 1, 1993 among Grand Trunk Western Railroad Incorporated, as Lessee; NationsBanc Leasing Corporation, as Owner; and Canadian National Railway Company, as Guarantor.

Permitted Liens: (i) The interests of the Lessee and the Owner under the Lease; (ii) the interest of the Lessee and any sublessee as provided in any sublease permitted pursuant to Section 11 of the Lease; (iii) any liens on a Unit for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being diligently contested so long as there exists no material danger of sale, forfeiture, loss or loss of use of the Unit; (iv) any liens of mechanics, suppliers, materialmen, laborers, employees, repairmen and other like liens arising in the ordinary course of business securing obligations which are not due and payable or the amount or validity of which is being diligently contested so long as there exists no material danger of sale,